

## Message Text

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PAGE 01 STATE 170572

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TO AMEMBASSY NEW DELHI

S E C R E T STATE 170572

EXDIS

FOLLOWING REPEAT TEHRAN 6142 SENT ACTION SECSTATE INFO JIDDA,  
LONDON, KUWAIT, CARACAS & JAKARTA DATED 24 JULY 1974:

QTE

S E C R E T TEHRAN 6142

EXDIS

E.O. 11652: GDS  
TAGS: ENRG, SA, IR  
SUBJECT: SHAH'S VIEWS ON OIL PRICES, OTHER MATTERS

REF: A. STATE 152797  
B. JIDDA 4073

1. DURING AUDIENCE WITH SHAH ON JULY 23 I MADE POINTS  
CONTAINED REF A. THESE WERE TIED TO UPCOMING VISIT  
EXXON CHAIRMAN JAMIESON AND BP DEPUTY CHAIRMAN STEEL.

2. SHAH'S RESPONSE, WHILE SHOWING UNDERSTANDING OF WORLD  
ECONOMIC PROBLEMS, WAS A FORCEFUL REITERATION OF THE  
POINTS HE HAS MADE OVER RECENT MONTHS BEGINNING WITH HIS  
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PAGE 02 STATE 170572

DECEMBER 23, 1973, PRESS CONFERENCE IN WHICH THE LAST MAJOR

OIL PRICE INCREASE WAS ANNOUNCED.

3. HE IS STILL EXERCISED ABOUT OIL COMPANY PROFITS. IN RESPONSE TO A REMARK THAT OIL COMPANIES WERE CLEARING ONLY 60 OR 70 CENTS A BARREL, THE SHAH SAID THAT TWO YEARS AGO THEY WOULD HAVE BEEN DELIGHTED AT 20 CENTS A BARREL. HE PLANS TAKE THIS UP WITH JAMIESON AND STEEL NEXT WEEK. IN ADDITION HE IS STILL IRRITATED OVER EXORBITANT TAXES ON PETROLEUM PRODUCTS ESPECIALLY IN WESTERN EUROPE.

4. IN MORE REFLECTIVE COMMENTS HE ACKNOWLEDGED THAT PRICE OF OIL "SHOULD BE NEGOTIABLE". AT THE SAME TIME HE INSISTED IT MUST BE PEGGED TO SOMETHING. SHAH BELIEVES ONLY RATIONAL GUIDEPOST TO BE COST OF ALTERNATE SOURCES OF ENERGY. HE MADE USUAL POINTS THAT PETROLEUM IS A WASTING, NON-RENEWABLE ASSET AND THAT THERE WAS NOTHING PRECISELY LIKE IT IN THE NATURAL WORLD.

5. SHAH SAID THAT HE HAD "NO INTEREST AT THIS TIME IN FORCING UP THE PRICE OF OIL" AS LONG AS IRAN IS ABLE TO MAINTAIN ITS PURCHASING POWER. FROM HIS POINT OF VIEW, THIS MEANS THAT INDUSTRIALIZED COUNTRIES MUST DO SOMETHING ABOUT INFLATION.

6. IN HIS DECEMBER 23 PRESS CONFERENCE, THE SHAH HAD SUGGESTED THAT REPRESENTATIVES OF OECD SIT DOWN WITH THE OPEC MEMBERS TO DISCUSS THE REAL VALUE OF OIL. HE EMPHASIZED THAT HIS SUGGESTION WAS A VERY SERIOUS ONE AND THAT "I STILL MEAN IT". NOTHING HAS COME OF IT, HE POINTED OUT. INSTEAD, THE UNITED STATES DECIDED TO GET THE OECD MEMBERS TOGETHER FOR A SERIES OF DISCUSSIONS WITH THE AIM OF EVENTUAL NEGOTIATIONS WITH PRODUCERS. AFTER ALMOST SEVEN MONTHS, NO ONE HAS COME FORWARD TO TALK REASONABLY EITHER WITH HIM OR ANY OF THE OTHER OPEC MEMBERS. THE SHAH HOPED IT WAS NOT ALREADY TOO LATE FOR MEANINGFUL TALKS TO TAKE PLACE.

7. THE SHAH FIRMLY REITERATED HIS VIEW THAT PRODUCERS AND CONSUMERS SHOULD SIT DOWN VERY SOON TO DISCUSS THE SECRET

SECRET

PAGE 03 STATE 170572

PROBLEMS OF BOTH SIDES INCLUDING ESPECIALLY THE INFLATION PROBLEM. HE SAID "I'LL BE REASONABLE" AS LONG AS THERE IS A REAL ATTEMPT TO MEET THE NEEDS OF THE PRODUCING COUNTRIES.

8. IN RESPONSE TO REMARKS ABOUT THE NEED TO RECYCLE PETRO DOLLARS, THE SHAH ASSERTED THAT IRAN IS DOING THE BEST IT CAN IN PROVIDING ROUGHLY ONE BILLION DOLLARS EACH FOR

INDIA, EGYPT AND FRANCE IN ADDITION TO \$1.2 BILLION FOR  
UK, \$750 MILLION FOR PAKISTAN AND SMALLER AMOUNTS FOR  
SYRIA, SENEGAL AND OTHERS. HE IS PREPARED TO DO MORE.

9. CONCERNING THE EFFECTS OF THE KUWAIT/GULF  
AND BP AGREEMENT, POSSIBLE EFFECTS OF THE ARAMCO/SAUDI  
ARABIA NEGOTIATION, AND THE INCREASE IN ROYALTY PERCENTAGE  
BY TWO PERCENT, HE RECOGNIZED THAT THE EFFECTS OF THESE  
WOULD REDOUND TO IRAN'S BENEFIT IN THE FORM OF AN INCREASED  
"BALANCING MARGIN", BUT HE ADDED, "I DID NOT  
DO THESE THINGS."

10. THE CONCLUSIONS THAT ONE CAN DRAW FROM THE SHAH'S  
RESPONSE ARE SEVERAL:

A. HE HAS NO RPT NO INTENTION OF TAKING ANY STEPS  
WHICH WOULD LEAD TO A REDUCTION IN OIL PRICES IN ADVANCE  
OF A CONSUMER-PRODUCER DIALOGUE.

B. IRAN SHARES OUR CONCERN OVER THE INTERNATIONAL ECONOMIC  
CONSEQUENCES OF OIL PRICE INCREASES AND WITHIN THE POSSI-  
BILITIES AVAILABLE TO IT, AND WITHOUT DOING DAMAGE TO IRAN'S  
OWN PLANS AND PROGRAMS, IS PREPARED TO COOPERATE IN  
MEASURES TO ALLEVIATE THEM.

C. PRODUCER GOVERNMENTS' PROBLEMS MUST BE SERIOUSLY AND  
COMPLETELY DEALT WITH. (COMMENT: THESE PROBLEMS  
PRESUMABLY INCLUDE TRANSFER OF TECHNOLOGY, AVAILABILITY OF  
INDUSTRIAL AND OTHER COMMODITIES, INFLATION, AND CON-  
COMITANT QUESTION OF MAINTENANCE OF VALUE OF PRODUCING  
COUNTRIES' PURCHASING POWER.)

D. IRAN HAS NO RPT NO PREFERENCE AS TO THE FORM OF PRODUCER/  
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SECRET

PAGE 04 STATE 170572

CONSUMER DISCUSSIONS EXCEPT THAT THEY SHOULD BEGIN VERY  
SOON, PERHAPS INITIALLY WITH A SMALL TEAM ON EACH SIDE.

E. CONCERNING KING FAISAL'S STRONG SUGGESTION THAT THE US  
PUT PRESSURE ON IRAN (REF B), UNLESS THE FORM OF PRESSURE  
IS CLEARLY DEFINED AND THE FULL WEIGHT NOT ONLY OF THE  
UNITED STATES BUT OTHER CONSUMER GOVERNMENTS IS BEHIND  
IT, WE SEE NO RPT NO CHANCE OF ANY BENEFICIAL EFFECTS.  
WE FEEL OTHER AVENUES, INCLUDING PRODUCER/CONSUMER TALKS,  
SHOULD BE EXHAUSTED BEFORE ATTEMPTING TO APPLY SUCH PRESSURE.

11. THE TONE OF THE AUDIENCE DURING DISCUSSION ON  
OIL PRICES WAS FRIENDLY BUT FIRM. I WOULD NOT WISH  
TO LEAVE ANY DOUBT ABOUT THE SHAH'S DEDICATION TO THE  
PROPOSITION THAT OIL PRICES MUST REMAIN AT LEAST AT

THEIR PRESENT LEVEL. HIS PERSONAL PRESTIGE AND THAT  
OF THE GOVERNMENT OF IRAN ARE FIRMLY ENGAGED. UNLESS  
WE ARE PREPARED TO MAKE CLEAR OUR INTENTION TO FOREGO  
CLOSE US RELATIONS WITH IRAN IN ORDER TO BRING OIL PRICES  
DOWN WITHOUT IRAN'S COOPERATION, WE SEE NO RPT NO ALTER-  
NATIVE BUT TO PURSUE THE ROUTE OF MULTILATERAL NEGOTIA-  
TION BETWEEN PRODUCERS AND CONSUMERS. HELMS UNQTE KISSINGER

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## Message Attributes

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